

1 EDWINA E. DOWELL, # 149059
2 Assistant U.S. Trustee
3 NANETTE DUMAS, # 148261
4 JOHN S. WESOLOWSKI, # 127007
5 EMILY S. KELLER, # 264983
6 United States Department of Justice
Office of the United States Trustee
280 S. First Street, Suite 268
San Jose, CA 95113-0002
Telephone: (408) 535-5525
Fax: (408) 535-5532

7 Attorneys for August B. Landis
8 Acting United States Trustee for Region 17

9
10 **UNITED STATES BANKRUPTCY COURT**
11 **NORTHERN DISTRICT OF CALIFORNIA**

12 In re: Case No. 11-60198 SLJ
13 CT DRIVES, LLC, Chapter 11
14 Debtor. Date: March 1, 2012
15 Time: 1:30 p.m.
Place: Courtroom 3099

16
17 **UNITED STATES TRUSTEE'S OBJECTION**
TO DEBTOR'S DISCLOSURE STATEMENT

18 The Acting United States Trustee (the "UST") hereby files the following
19 objections and comments with respect to the Debtor's Disclosure Statement
20 ("Disclosure Statement" or "DS") and Plan of Reorganization ("Plan") filed herein by CT
21 Drives, LLC ("Debtor").

22 1. DS, p. 3 – at lines 11-15, Debtor mentions certain litigation claims, and then
23 again mentions them at p. 5, line 7. But this appears to be the only mention of
24 the litigation. What is to become of these litigation claims? If there's a recovery
25 by the Debtor, who gets the money? This should be discussed in more detail in
26 both the Plan and DS.

27 2. DS, p. 4 – class 1a creditors are to receive a "proportionate" share of the

1 Debtor's new equity. But what total percentage is class 1a getting? This is
2 important because later, at p. 7, management personnel and certain
3 professionals are also getting equity. Debtor should define how much of the pie
4 is being split up among all these constituents.

- 5 3. DS, p. 4 – Class 1b seems duplicative and unnecessary, since it is already
6 covered by the unclassified administrative claims on p. 6.
- 7 4. DS, p. 5 – Debtor has established two separate general unsecured classes when
8 they are getting the exact same treatment (8%) – it appears that Debtor will be
9 objecting to all the claims in Class 3b, and that is the only difference between the
10 two classes. This separate classification does not make sense, since the
11 Debtor can simply object to the claims as part of the entire class of unsecured
12 creditors.
- 13 5. DS, p. 5 – the Debtor proposes only an 8% distribution to allowed unsecured
14 claims. This seems to be inadequate, given the fact that the Debtor is expecting
15 license revenues of \$50,000 per month starting in July 2013, per exhibit 2.
- 16 6. DS, p. 5 – the starting payment date for class 3 claims is uncertain – it is the
17 “later” of the Effective Date or the Debtor’s receipt of its first post-confirmation
18 license payment from an OE supplier. But this latter date is completely
19 unknown. It would be better if the Debtor could change the word “later” to
20 “earlier.”
- 21 7. DS, p. 6 – priority tax claims need to be paid in full within 5 years from the
22 petition date, not six years from assessment, per section 1129(a)(9)(C). Also,
23 Debtor should state whether there are any such claims (the IRS has filed one).
- 24 8. DS, pp. 6/7 – there is no Exhibit 1 (historical summary of Debtor’s 2011 business
25 operations). In addition, Exhibit 2 which was filed separately raises big feasibility
26 questions. The projections look very optimistic, and the Debtor will need to
27 provide support for these projections.

9. DS, p. 7 – again, what percentage of the Debtor's new equity will management and the professionals have, compared to Class 1a? And will all the members have the same rights? Also, at line 22, class 11 should be class 1a.
10. DS, p. 8 – the paragraph at lines 9-16 needs to be included in the Plan.
11. DS, p. 12 – the two paragraphs at lines 11-18 need to be included in the Plan.
12. Plan – same comments as above, as and where applicable and appropriate.

Dated: February 23, 2012

Respectfully submitted,

By: /s/ John S. Wesolowski
John S. Wesolowski
Attorney for the U.S. Trustee